

# COST *and* MANAGEMENT

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# New "Reform" Bills Proposed

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Recommendations of Price Spreads Commission Mainly Met by Amendments to Existing Acts—Scope of Tariff Board to be Broadened.

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**A**S part of the "reform" program of the Dominion government, and specifically as a result of the recommendations of the Royal Commission on Price Spreads, several new measures have been brought down in Parliament. The government, on investigation, found that many of the suggestions of the Commission were beyond its jurisdiction. Others, where considered practicable, are being met by amendments to existing laws. Others, again, can be enforced if desired by regulation. As a result, the government is avoiding the setting up of a brand new "Trade and Securities Commission," as was recommended, and instead, is enlarging the scope of the Tariff Board of Canada to deal with some phase of business not already covered by administrative departments. The bills already introduced constitute part of the following general program of reform:

1. A board to exercise supervision over business and enforce statutes relating thereto.
2. An amended and clarified Combines Investigation Act to provide for wider investigation into combines and companies dominant in an industry.
3. Tightening up the Weights and Measures Act to protect the public against short weight and false measures.
4. Amendments to the criminal code to prevent the giving of discriminatory rebates, predatory price cutting and false advertising.
5. Extension of the Industrial Disputes Act to give ministers of labor authority to investigate labor troubles before they reach a critical stage.
6. Dominion minimum wage law to supplement provincial wage laws, applicable to men and women.
7. The eight-hour day for industry.
8. Amended fair wage law for Dominion contracts.
9. Unemployment insurance.

## Authority of the Board

Authority of the board is proposed to run along the following general lines:

1. The sanction of price and production agreements between producers where such agreements are held to be not detrimental to the public interest.

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2. The administration of the Combines Act. Heretofore, in the opinion of the Price Spreads Commission, the enforcement was not very active, an occasional inquiry being made when complaints were presented, with a prosecution sometimes following. These instances have not been very frequent, and in one notable case still before the courts proceedings were delayed by a long argument as to the respective responsibilities of the Dominion and the Province particularly concerned.

3. The creation of consumer standards relating to the quality of articles, the size of containers and the contents thereof.

4. The enforcement of various statutes relating to unfair practices in trade. There are about 300 of such enactments at the present time, some in conflict with others. The purpose would be to co-ordinate them.

5. Fair trade conferences under the auspices of the commission. These would be voluntary efforts to adjust differences over business methods. In Great Britain the Board of Trade very often acts as an intermediary in such cases.

6. Power to co-operate with boards of trade in the promotion of general commercial activity.

### Amendments to Criminal Code

In amendments to the Criminal Code of Canada, the Government proposes stiff fines and prison terms for employers who fail to pay the minimum wage fixed by law, or who permit employees to work beyond the maximum hours fixed by law, or who falsify employment records. Similar punishment is provided for persons who punch time-clocks with intent to deceive.

The new bill amends the Criminal Code by inserting after Section 415 the following section:

"415A. Every one is guilty of an indictable offense and liable to two year's imprisonment or to a fine not exceeding \$5,000, or to both imprisonment and fine, who knowingly:

"(a) Employs a person at a rate of wage less than the minimum wage rate fixed by law or any competent public authority;

"(b) Permits an employee to work beyond the maximum hours fixed by law or any competent public authority;

"(c) Falsifies any employment record required to be kept by law or any competent public authority;

"(d) Punches a time-clock with intent to deceive;

"(e) Puts the wages of more than one employee in the same envelope with intent to evade the provisions of any minimum wage law;

"(f) Makes any deduction from any employee's wages for any purpose not warranted by law unless such deduction has been approved first by a competent public authority;

"(g) Employs any child or minor person contrary to law;

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"(h) Does any other similar act contrary to law or the rules or regulations of any competent public authority."

### Discrimination in Sales

A further amendment to the Criminal Code is aimed against discrimination in sales through special discounts, etc.

The act is amended by inserting after Section 498 the following section:

"498A (1) Every person engaged in trade or commerce or industry is guilty of an indictable offense and liable to a penalty not exceeding \$1,000 or to one month's imprisonment, or, if a corporation, to a penalty not exceeding \$5,000, who

"(a) Is a party or privy to, or knowingly assists in, any transaction of sale which discriminates against competitors of the purchasers in that any discount, rebate or allowance is granted to the purchaser over and above any discount, rebate or allowance granted to the aforesaid competitors in respect of a sale of goods of a similar quality and quantity;

"(b) Engages in a policy of selling goods in any area of Canada at prices lower than those exacted by such seller elsewhere in Canada for the purpose of destroying competition or eliminating a competitor in such part of Canada;

"(c) Engages in a policy of selling goods at prices unreasonably low for the purpose of destroying competition or eliminating a competitor."

### Advertising Proposal

It is also proposed to amend the Criminal Code, Section 406, with respect to fraudulent and misleading advertising. The amendment submitted provides as follows:

"3. (a) Every person who publishes, or causes to be published, any advertisement containing any statement or guarantee of the performance, efficacy or length of life of any product for the purpose of, either directly or indirectly, promoting the sale or disposal of such product, and which statement or guarantee is not based upon an adequate and proper test, shall be guilty of an offense, and liable upon summary conviction to a fine not exceeding \$200, or to six months' imprisonment, or to both fine and imprisonment: Provided that any person publishing any such advertisement accepted in good faith in the ordinary course of his business shall not be subject to the provisions of this subsection;

"(b) Without executing any other adequate and proper test, a test by the Honorary Advisory Council for Scientific and Industrial Research, or any other public department, shall be considered an adequate and proper test for the purposes of this subsection; but no reference shall be made in any such advertisement to the fact that a test has been made by such Council or other public department;

"(c) On any prosecution under this subsection, the burden of proof that an adequate and proper test has been made shall lie on the defendant."

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### Industrial Disputes Act

First reading was given in the Commons on May 23, to an important amendment to the Industrial Disputes Act, which empowers the Minister of Labor to intervene in the settlement of strikes and lockouts, without waiting for an application from persons affected.\*

The proposed amendment is in the following terms:

1. Section 65 of the Industrial Disputes Investigation Act, Chapter 112 of the revised statutes of Canada, 1927, is repealed and the following is substituted therefor:

"65. Where in any industry subject to the legislative jurisdiction of the Parliament of Canada (whether or not it be an industry to which other provisions of this act apply), any strike or lockout has occurred, or seems to the Minister to be imminent, or complaint has been made to the Minister that intimidation has been practiced or other discriminatory action taken either by employers or employees, and in the public interest or for any other reason it seems to the Minister expedient, the Minister, on the application of any municipality interested, or of the Mayor, Reeve or head officer or acting head officer thereof, or of his motion, with or without application of either of the parties to the dispute strike, lockout or complaint, whether it involves one or more employers or employees in the employ of one or more employers, may establish a board under this act in respect of the dispute, strike, lockout or complaint, or may, in any such case, if it seems to him expedient, either with or without an application from any interested party, recommend to the Governor-in-Council the appointment of such person or persons as a commissioner or commissioners, under the provisions of the Inquiries Act, to inquire into the dispute, strike, lockout or complaint, or into any matters or circumstances connected therewith."

### Weights and Measures

Merchants giving their customers short weight will be liable to imprisonment for six months and to fines ranging from \$50 to \$250 after the passage of an act to amend the Weights and Measures Act, which has been introduced.

The Government is taking power to appoint a director of weights and measures for the Dominion, who shall, under the direction of the Minister of Trade and Commerce, have supervision over the inspection of weights and measures throughout Canada.

The act contains several sections defining measures, such as "the cord," the fluid ounce, etc. The cord shall contain 128 cubic feet, while the fluid ounce shall be the one hundred and sixtieth part of the gallon by volume. Many containers are now marked in fluid ounces, although the fluid ounce has not been included in the act heretofore as a legal unit.

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\* According to latest information from Ottawa, this amendment has been dropped.

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A regulation is anticipated requiring that packages or containers should show the weight of contents and another section of the bill introduced has extended the powers of inspectors to check-weight pre-packed goods concerning which there was serious complaint to the Price Spreads Commission.

The penalties for giving shortweight are increased and the imprisonment feature is new. A new subsection is also inserted in the act for the purpose of providing that the weight of wrapper or container, within limits, shall be included in the weight of goods sold over the counter to the purchaser and weighed in his presence.

New and stiffer penalties are proposed for merchants giving false or unjust weights. The following is the text of the new section dealing with this:

Section 64 of the Weights and Measures Act is repealed and the following is substituted therefor:

"64. (1) Every person who uses or has in his possession for use, in trade, any weight, measure, scale, balance, steelyard or weighing machine, which is false or unjust, shall be guilty of an offense and liable

(a) If not a corporation, to a fine not exceeding \$100 and not less than \$50 for the first offense, and to a fine not exceeding \$250 and not less than \$100, and in default of payment to a term of imprisonment not exceeding six months, for every subsequent offense, and

(b) If a corporation, to a fine not exceeding \$1,000 and not less than \$500 for the first offense, and to a fine not exceeding \$5,000 and not less than \$1,000 for every subsequent offense.

2. Such weight, measure, scale, balance, steelyard or weighing machine shall be forfeited, and shall be forthwith seized by the inspector as being so forfeited; and any contract, bargain, sale or dealing made by using the same shall be void.

There is a new section in the act relating to the use of unstamped weights and scales. It provides for the seizure of scales for purposes of prosecution, final disposal of the scales to be left to the order of the Minister of Trades and Commerce.

Another amendment is designed to prevent the sale and use in Canada of articles such as domestic measuring cups, water bottles, preserving crocks, etc., in foreign wine sizes. For example, the wine five-gallon preserving crock contains only 4  $\frac{1}{6}$  Imperial gallons. It is sold as a five-gallon crock and competes with and under-sells the larger Canadian five-gallon crock.

### Control of Live Stock Yards

The bill designed to implement the recommendations of the Price Spreads Commission with respect to live stock was introduced into the House of Commons by Hon. Robert Weir, Minister of Agriculture, on May 23rd. No provision is made for setting up a live stock board. In this regard the Government's conclusion was that such a board

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would duplicate the functions at present exercised, under various enactments, by officials of the Agriculture Department.

The new legislation provides for declaring all privately owned packing-house yards to be public yards, to the extent that they will hereafter be required to furnish officers of the Dominion Live Stock Branch with records of prices, weights, and quantities purchased. This places the packers' yards on the same footing in this respect as the publicly operated marts.

The bill has a provision which, it is expected will make it possible to remove a percentage of the cutter and canner beef from the meat trade and divert to other uses, such as fertilizer and tankage. Such diversion formed an important recommendation of the majority of the Commission, although those who signed the report with reservations took exception to it. The bill itself merely gives discretionary power to the Minister to give effect to the recommendation.

The Justice Department and officials of the Agriculture Department gave considerable study to the Commission's report. They advised that many of the results sought could be obtained by amendments to existing laws, and others by regulations which do not require legislative action.

With regard to keeping diseased meat off the market, the bill amends the Live Stock Inspection Act, giving departmental officials greater authority in inspecting all kinds of meats in packing plants where any portion of the trade is interprovincial or export. This is believed to be as far as the Dominion has jurisdiction to go.

With regard to the Commission's recommendation that packers' yards be converted into and subject to the same regulations respecting competition as public yards, the Government took the view that the additional equipment and reconstruction required to do business under such conditions would add to the already burdensome cost of marketing the farmer's live stock. It would cause a further diversion of cattle from the public yards. Such a development would be contrary to what the Commission desired, it was held.

The recommendation seeking permission for producers to sell their stock by auction was already provided for under existing legislation, according to Government opinion. This sets forth that such procedure may be engaged in "subject to regulations approved by the Minister."

The view was expressed that departmental representatives at public markets should first be consulted on the recommendation that live-stock commission agents' charges be based on a lower specific charge, plus a commission reckoned on the value of the live stock sold. It was argued that a minimum of sales effort was required to sell good, marketable cattle, while inferior cattle required more time and salesmanship. No additional legislation would be needed to enforce the licensing of commission agents.

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With regard to the licensing and bonding of truckers and prohibiting them from selling stock themselves, this was believed to be covered generally in existing statutes, and is further clarified in the bill by defining the meaning of the word "trucker."

The recommendation which urges the sale of hogs by grade, each grade to be sold separately, and which would discontinue fixed differentials with the exception of the premium on selects, was considered by the Government to be sound in principle. Whether it could be put into effect, however, was questioned. Differentials and discounts had become more or less standardized, but they vary from time to time as between one packing plant and another, according to supply and demand. With 70 per cent. of the hogs going to the packing houses direct, a practicable application of the recommendation was considered impossible.

"Grading on the rail," recommended by the Commission, is already provided for in the hog-grading regulations. It is now operated on a voluntary basis at six packing plants in Ontario, and the practice is gradually being extended.

The grading of cattle offered for sale at central stock yards and shipped direct to packing plants was considered a questionable matter. It is explained that, while cattle may be graded from the standpoint of condition and quality to the satisfaction of both buyer and seller, within such grade the value would vary according to the estimated yield. On this point honest difference of opinion might develop in appraising the live animal, the Government was advised.

Grade established as a matter of trading practice and not as official standards was regarded as more acceptable. Shipments of varying quality are often sold at a flat price, which frequently prevents the establishment of a price representative of the actual value of the best grade of cattle included in the lot.

Extension of Ministerial orders to provide for standards of grade "A" bacon could be made, the Government was advised, should such a change be necessary to implement to the Commission's recommendation which was that "'A' grade bacon for export be composed of sides from select and bacon hogs only."

The grading of bacon for export by Government inspectors was not viewed favorably. In practically all agricultural products which come under official departmental regulations, the onus of grading is on the shipper. Agricultural officials felt this was a sound principle for the majority of products, including bacon and took the position that the function of their officers was to enforce correct grading.

The Government was informed, in general, that the grading of bacon is being carried on satisfactorily. The bacon is inspected in England by an officer of the department, and the penalty for irregular grading is suspension and eventual cancellation of the license to export.



# Fixing Coal Prices

By W. L. CHANDLER

*Consumers Advisory Board, Washington, D.C.*

(Statement at Price Hearing, January 9, 1935.)

**T**HE price making powers granted to the Bituminous Coal Industry by the N.R.A. have produced bad results. The most important of these is that prices have risen so high that consumers cannot bear the burden and that the industry's recovery is prevented. The wholesale price of coal went above the 1929 level in March, 1934, and advanced each month even during the summer period when coal prices normally decline because of the seasonal shortage of demand.

The high price contrasts painfully with low production and low employment. During the same period since March the seasonally adjusted index of production has continually declined. In November with prices at 106 per cent of the 1929 level, production was only 63 per cent, employment 80 per cent and payrolls 58 per cent of that level.

Minimum prices on slack coal are so far out of line with market conditions that the accumulation of slack in the hands of producers is threatening a general breakdown of the price structure. With such a record it is not surprising that the industry has been filled with dissension and code evasion.

Conflicts between producers in the same district or competing districts on matters of classification or price or practice have become so irreconcilable that new plans are being proposed to avert a complete breakdown. Producers have refused to supply trade information to their competitors who are connected with the code administration body. Producers have grown more and more lax in supplying statistical reports to the N.R.A. Several subdivisions have already formally withdrawn from the inter-district price correlation procedure.

## Code Prices Evaded

Evasions of code prices seem to be prevalent. Indeed, the ease of evasion probably has been the chief factor in permitting the code prices to endure so long. The prices established by the marketing agencies do not apply to coal sold on pre-code contracts. Since only a very small percentage of coal is ordinarily contracted for beyond the coal year, it was assumed that the pre-code contracts would expire between April and July of last year and that all coal sold thereafter would be subject to the minimum prices. However, producers in some divisions have continued to report the sale of 60 per cent of their total production under pre-code contracts. In some cases they have

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reported an increase from month to month in sales under such contracts. This increase lends plausibility to the view expressed by some that the practice of executing contracts as of dates prior to the effective date of the code has become widespread.

Sales on pre-code contracts probably have an average range of from 15 to 40 per cents per ton less than the minimum prices. Contracts now being written to cover deliveries of all sizes subsequent to June 16, 1935, are said by John L. Lewis to carry prices averaging about 30 per cent per ton lower than present code prices and sales are now being made as much as one dollar below code prices.

The minimum prices have been evaded in other ways. Certain producers and their agents have written contracts containing clauses involving forfeits in the event of the delivery of coal which fails to meet guarantees as to content of ash and British thermal units known to be beyond the possibility of fulfillment. Shipments have been made in excess of the maximum tonnage specified in contracts. Coal of a high grade has been shipped at a price established for coal of a lower grade. (The latter practice, often referred to as "sweetening deliveries," is allowed in a reverse form by one division. They have ruled: "Shipment of any grade or size taking a lower price is permitted." This might appropriately be called "souring deliveries" to the detriment of consumers.)

Evasions of the code have been encouraged by the fact that present code prices are apparently quite profitable. Reports from April to August, 1934, showed that the reporting producers during this period approximately covered their total costs by their revenue from sales, in spite of the fact that from 17 to 63 per cent of the sales were made under contracts supposedly written before the code. Since prices under pre-code contracts were about 45 cents a ton below code prices, it is clear that the sales at the code prices carried most of the burden. If all sales had been made at code prices the income of these producers would have averaged from  $7\frac{1}{2}$  to 28 cents per ton higher. Since last spring, while costs have remained about the same, prices have been rising. The inference is that present code prices are substantially above costs.

### Discrimination

The effect of the code has been to establish a definite discrimination in prices against certain groups of customers. Those buyers who have actually paid the established price have found that their competitors or their neighbors have bought at lower prices. Other buyers are being faced by discriminations embodied in the officially established prices. The code prices contain arbitrary discrimination for certain kinds of coal and certain classes of buyers. For example, there was a differential on steam coal by which Kentucky and West Virginia mines were permitted to deliver by lake to Milwaukee at 35 cents a ton less than to Chicago. It was alleged that this differential resulted

## FIXING COAL PRICES

from a bargain by which Indiana and Illinois operators were given preference in the Chicago market and Kentucky and West Virginia operators the preference in Milwaukee.

In some markets, consumers are discriminated against on the basis of the type of building in which the coal is burned. For example, different prices are established for contracts with hotels, apartment buildings, and off-track steam plants in the St. Louis metropolitan market.

Consumers have complained of discrimination between grades and sizes of coal. An example of this is a letter stating in part: "Mine prices fixed by the Coal Code Authority here are not in accord with the quality of the coal. The spread in price between Frederick District (third grade) and Louisville District (first grade) at the mine is around 33 per cent while the spread in heat units is around 8 per cent." Other protests have been received complaining that the relatively narrow margins on steam sizes were compensated for by wider margins on the prepared sizes used by domestic consumers.

### Railway Favored

There is admittedly a general disposition to combat the trend toward trucking coal as opposed to rail shipments by setting discriminatory differentials of from 10 to 75 cents per ton for L.C.L. sales. Thus far, there is insufficient evidence to indicate that the cost of loading into trucks is any greater than into railroad cars. Mines without railroad facilities, which haul their coal by truck to rail terminals, must charge the same arbitrary differential against the coal dumped into customers' trucks at the mine. This means that such customers must pay prices at the mine higher, regardless of distance, than rail customers pay for coal trucked by the producer to a railroad.

The majority, if not all, of the members of various divisional and sub-divisional Code Authorities are representatives of rail mines. This fact multiplies the difficulty of satisfactory adjusting the inequities such as described above.

The attractive level at which minimum prices have been established has encouraged the expansion of an already overdeveloped industry. It is reported that in some areas, especially in the coal-bearing hills along highways, "gopher hole" mines have been opened up in almost every hollow.

In some divisions, adjustments of the mine prices of coal have been used to regulate the share of the total business going to each producer. The result of such procedure has been to limit the production of efficient operators whose ability to produce good quality coal at low prices would have given them operation nearer their capacity, and to encourage, at their expense, the continued existence of uneconomic mines. The determination of freight allowances by the marketing agencies has created a honey-comb of prices that has foster-

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ed discrimination between one buyer and another, and uneconomic cross hauling of coal as well as its production at uneconomic points. The code itself does not provide for any consideration of production costs, economic or otherwise, in the establishment of the minimum prices.

We believe that it has been unwise to leave to private business the administration of provisions so vitally affected with a public interest.

### RETAIL SOLID FUEL

The Code originally proposed by the National Retail Coal Merchants Association provided for the fixing of prices, discounts, terms, and conditions of sale of all solid fuel sold at retail. The "super-emergency" provision of the code finally adopted and approved was invented for the purpose of this code and was in its least considered form when it was hurriedly inserted to replace the price-fixing provision which was denied this trade. It is at wide variance with present N.R.A. policy.

While the code was being considered for approval the Consumers' Advisory Board advised disapproval of the price provisions. At that time we stated: "there is little question that the effect of the price-fixing provision, if approved, will be an advance in the present level of prices to consumers disproportionate to increases necessitated by the wage and hour provisions. . . . The major burden of higher prices will fall on a class of consumer least able to bear it . . . consumers will be deprived of savings resulting from the superior efficiency of individual or particular groups of retailers. . . . There may result a permanent loss of customers to the coal industry. . . . Fixed prices under this code, in our opinion, may involve the administration in difficulties and embarrassment and tend to defeat the objectives of the National Industrial Recovery Act."

Since that time the operation of the super-emergency provisions of this code has created a greater volume of consumer complaints and embarrassment and administrative difficulty for the National Recovery Administration than any other code with the possible exception of lumber manufacturing and cleaning and dyeing.

According to the code provision costs were to be determined on the "basis of actual sheets . . . and all other available data, for each kind, grade, size, and blend of solid fuel and each classification of customers." When N.R.A. undertook to enforce this part of the code by a careful review of the emergency prices, the National Code Authority resigned in protest.

However, the facts which appeared during the review indicated the imperative necessity for careful supervision. In every case in which N.R.A. requested supporting data and received it, the cost determination was found to be too high.

The lowest reasonable costs proposed for various regions in the industry were such as to perpetuate high-cost uneconomic retail estab-

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lishments, maintain local association prices, and eliminate from many areas competition of truckers hauling direct from the mines to the consumer. Divisional code authorities promulgated as cost figures prices that were in almost every instance high enough to insure a substantial return above the costs of most of the inefficient members of the industry.

### Cost Figures Inadequate

The determination of costs was made in some areas almost without evidence. In one area where cost forms were distributed to 800 dealers 70 were returned to the divisional code authority. The chairman explained as follows: "Only 36 were of sufficient detail to be used in determining costs. Thirty-three were fairly complete and tabulated. The other 3 were complete and formed the basis of our determination."

Representatives of one divisional code authority explained at a public hearing their procedure in cost determination, which was probably the procedure of a number of the others. After looking over the cost report received from the dealers they turned their backs upon them and "drew on their own experience and trade knowledge" as retail solid fuel dealers and agreed upon the minimum costs to be set for the various classifications of fuels and customers. In other areas where divisional code authorities felt constrained to decide approximately on the basis of the facts supplied by the cost reports, in more than one instance they eliminated certain low cost reports and drew their conclusions from those remaining. In some cases auditing firms employed by the code authorities threw out low-cost reports. In other areas auditors revised cost reports by substituting trucking charges based upon hire of delivery trucks in cases where dealers reported lower costs for their own trucks, by increasing the amounts for executive salaries, and by multiplying the cost for each service by the total tonnage handled by a dealer even though many of these charges did not apply to each ton of coal.

In most areas costs were not representative of the number, size, and types of dealers in the area. Blanket determinations were made covering rural and metropolitan areas. A number of areas used forms that made provisions for reports of the cost of travelling, entertainment, donations, life insurance, subscriptions, association dues, bad debts, credit and collection, and interest expenses. Depreciation, miscellaneous expenses, salary expenses, and joint costs were often handled improperly. Degradation costs and service charges were rarely determined on the basis of any cost information.

Costs determined for anthracite were usually based upon the published prices of "line" companies instead of on actual invoice costs. Savings formerly available to the consumers in one area through the use of rail and water shipments were eliminated.

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In areas where coal is trucked direct from mines or docks to consumers either the economies of trucking were ignored or truckers were required to add to their costs an amount equal to the freight rate.

Customers were usually classified as domestic, governmental, industrial, etc., and arbitrary cost differentials were set for the different classes. One buyer illustrated the effect of such practices by pointing out that he operated two buildings situated on the same street and separated only by any alley. The coal chute in one building is directly across the alley from the chute in the other. One building burns slightly more than three thousand tons a year and the other slightly less. Although the actual cost in each case must be the same, the "cost as determined by the code authority was 31 cents greater per ton on the same kind and grade of coal in the case of the one building than in the other.

Divisional code authority admitted that the usual procedure was first to determine, arbitrarily, costs for steam sizes of coal. These were set at levels low enough to avoid losing the business of large consumers. Then costs for other fuels and customers were set high enough to bring a total realization above total costs.

In none of the areas were there more than scanty estimates of tonnages classified for the various kinds, grades, sizes, and blends of solid fuel and the amount of sales by tons or dollars to the different classes of trade. Without such information it is not possible to set reasonable differentials and to estimate the income that will be realized by the cost determination.

### Protests from Buyers

In most areas consumers and even members of the trade strenuously opposed these cost determinations. An example of some of the milder protests is an area in which almost half the dealers signed a petition requesting the divisional code authority to cancel the prices fixed. They pointed out that they could sell coal to the public with a fair profit at prices from a dollar to \$1.25 a ton below the fixed price. They said, in part: "We are paying code wages, observing code hours, and all fair practices. Since those prices have been fixed, the retail coal trade in this area has been at a practical standstill. It is decreasing employment. It is working grave injury to the N.R.A. by arousing unfavorable public opinion by endeavoring to force them to pay more than fair prices. It is ruining the coal industry in this area. Continuance of this policy would result in 'freezing out' the small dealers and entirely destroying competition. We do not want any price fixing on coal in this area. We urge your immediate action."

When, over the violent protests of the industry, N.R.A. undertook to review the cost determinations, a painful process of readjustment ensued. Areas withheld cost reports. Reports frequently did not give sufficient data to judge the accuracy of the allocation of expenses between two or more lines of business of the dealers. Some areas made

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determinations of "end prices" without any breakdown to indicate the means of arriving at those figures. In many instances the cost reports submitted were not in sufficient detail to permit a review for the purpose of eliminating excessive charges for legitimate items and any charges for such items as profit and interest on investment, which were excluded by the code. Prices for comparison with earlier periods were seldom furnished. One area has refused to report a breakdown of salary costs. In some areas costs which seems to be reliable range from 65 cents to \$3.65 per ton, a variation which illustrates the difficulty of setting a lowest reasonable cost satisfactory to the industry and consumers. Dealers have declined in many instances to make a resurvey of their costs to supply the necessary information to enable N.R.A. to make a reasonably accurate review. After N.R.A.'s review dissatisfaction with service charges, trucking charges, degradation costs, and cost differentials for customer classifications has continued. In some areas in which divisional code authorities are delaying to send the requested information which would probably result in lower costs, prices determined early last summer are still in effect. Over a million consumers at present are required to make their purchases in such areas.

Much of the problem of fair competition in this industry lies in the fact that certain dealers give short weight and substitute inferior coal for that which they purport to sell; and in the failure of certain dealers to observe code labor conditions. Vigorous enforcement of local ordinances requiring full weight and of code provisions which forbid substitution and which establish minimum labor standards would have benefitted the industry. It might also have been desirable to encourage the development of better information about the industry's costs. But in the scramble for price protection, certain areas made no serious effort to enforce the rest of the code. Thus they turned their backs upon their constructive opportunity. Their efforts to set high prices led in St. Louis to the appearance of a new group of truck dealer to add to the competitive struggle, in Baltimore to the installation of oil burners, and in many places to general delay by consumers in buying their winter's coal. The effect of high retail prices reinforced the effect of high mine prices in reducing production and employment at the mines.

And the experiment still continues.

# COST AND MANAGEMENT

## TABLE I

Extent of Pre-Code Contracts in Effect in the Bituminous Coal \*  
Industry, April to August, 1934.

| Div.                    | Report Period  | Covers Area   | Number of Mines Reporting | Total Tons Produced | Sales at Pre-Code Prices<br>No. of Tons | Percentage of total<br>Production |
|-------------------------|--|---|---------------------------|---------------------|---|-----------------------------------|
|                         | 1934   |   |                           |                     |   |                                   |
|                         |  |   | (See foot-note below)     |                     |   |                                   |
|                         | April ..   | a   | 794                       | 12,100,021          | 4,425,935                               | 36.6                              |
|                         | May ..   | a   | 764                       | 13,519,101          | 3,645,829                               | 27.0                              |
| I                       | June ..  | b   | 437                       | 7,377,340           | 1,702,753                               | 23.1                              |
|                         | July ...   | c   | 232                       | 4,091,904           | 701,790                                 | 32.6                              |
|                         | August   | d   | 56                        | 1,014,993           | 331,229                                 | 32.6                              |
|                         | April ..   | e   | 134                       | 2,570,104           | 1,446,442                               | 56.3                              |
| II                      | May ..   | e   | 119                       | 2,259,836           | 1,251,607                               | 55.4                              |
|                         | June ..  | f   | 74                        | 1,733,651           | 1,005,765                               | 58.0                              |
|                         | July ...   | f   | 77                        | 1,817,999           | 951,343                                 | 52.3                              |
| III                     | April ..   | g   | 34                        | 208,972             | 132,302                                 | 63.3                              |
| a                       | Includes Eastern Sub-division, Western Pennsylvania, Ohio, Northern West Virginia, Southern Sub. #1 and Sub. #2. |   |                           |                     |   |                                   |
| b                       | "  | Western Pennsylvania, Ohio, Northern West Virginia, and Southern Sub. #2. |                           |                     |   |                                   |
| c                       | "  | Western Pennsylvania, Northern West Virginia and Ohio.                    |                           |                     |   |                                   |
| d                       | "  | Data for Ohio only.   |                           |                     |   |                                   |
| e                       | "  | Indiana (deep and strip) and Illinois, (deep and strip).                  |                           |                     |   |                                   |
| f                       | "  | Data for Illinois (deep and strip) only.                                  |                           |                     |   |                                   |
| g                       | "  | Data for Alabama only.  |                           |                     |   |                                   |
| * As reported to N.R.A. |  |   |                           |                     |   |                                   |

## TABLE II

Summary by Divisions of Average Total Cost Per Ton, Average Realization Per Ton and Average Profit (or Loss) Per Ton of Bituminous Coal, April to August, 1934. \*  
(Continuation of Table I)

| Div. | Report Period | Covers Area   | Average Total Cost Per Ton | Average Realization Per Ton | Profit or Loss |
|------|---------------|---------------|----------------------------|-----------------------------|----------------|
|      | 1934          | (See Table I) |                            |                             |                |
|      | April .....   | a             | \$1.9483                   | \$1.8373                    | — .1110        |
|      | May .....     | a             | 1.8635                     | 1.8467                      | — .0168        |
| I    | June .....    | b             | 1.8148                     | 1.7916                      | — .0232        |
|      | July .....    | c             | 1.8366                     | 1.8105                      | — .0261        |
|      | August ...    | d             | 1.7513                     | 1.7774                      | + .0261        |
|      | April .....   | e             | 1.6033                     | 1.5875                      | — .0158        |



# FIXING COAL PRICES

|                |   |        |        |         |
|----------------|---|--------|--------|---------|
| II May .....   | e | 1.6296 | 1.5448 | — .0646 |
| June .....     | f | 1.6117 | 1.5642 | — .0475 |
| July .....     | f | 1.6244 | 1.5612 | — .0632 |
| III April .... | g | 2.4847 | 2.2056 | — .2789 |

\* As reported to N.R.A.

TABLE III

Index Numbers of the Wholesale Prices of Bituminous Coal, By Months,  
1930—to date. \* (1929=100)

|                    | 1930  | 1931 | 1932 | 1933 | 1934  |
|--------------------|-------|------|------|------|-------|
| January .....      | 101.0 | 96.5 | 92.4 | 87.4 | 99.5  |
| February .....     | 100.1 | 96.2 | 92.3 | 87.0 | 99.8  |
| March .....        | 98.5  | 94.0 | 91.5 | 86.9 | 99.8  |
| April .....        | 96.8  | 92.4 | 90.6 | 85.5 | 102.6 |
| May .....          | 96.8  | 91.9 | 89.8 | 85.8 | 103.6 |
| June .....         | 96.6  | 91.1 | 89.6 | 85.8 | 104.1 |
| July .....         | 97.3  | 91.5 | 89.4 | 88.7 | 104.8 |
| August .....       | 97.0  | 91.7 | 89.0 | 91.6 | 105.4 |
| September .....    | 97.7  | 91.9 | 88.8 | 92.8 | 105.5 |
| October .....      | 97.7  | 91.6 | 88.8 | 98.4 | 105.6 |
| November .....     | 97.6  | 91.7 | 88.1 | 99.3 | 105.6 |
| December .....     | 97.6  | 91.8 | 87.8 | 99.2 | —     |
| Annual Average ... | 97.9  | 92.7 | 89.8 | 90.7 | —     |

\* Bureau of Labor Statistics

TABLE IV

Index Numbers of Employment and Payrolls in Bituminous Mining,  
By Months, 1930—to date \* (1929=100)

|                 | 1931 |      | 1932 |      | 1933 |      | 1934 |      |
|-----------------|------|------|------|------|------|------|------|------|
|                 | Em.  | Pay. | Em.  | Pay. | Em.  | Pay. | Em.  | Pay. |
| January .....   | 93.9 | 73.3 | 80.8 | 47.0 | 69.8 | 36.1 | 75.8 | 51.3 |
| February .....  | 91.5 | 68.3 | 77.4 | 47.0 | 69.3 | 37.2 | 76.1 | 54.6 |
| March .....     | 88.8 | 65.2 | 75.2 | 46.8 | 67.6 | 30.7 | 77.8 | 58.9 |
| April .....     | 85.9 | 58.6 | 65.5 | 33.9 | 63.7 | 26.6 | 72.2 | 51.4 |
| May .....       | 82.4 | 64.4 | 62.6 | 30.7 | 61.2 | 26.9 | 76.7 | 54.4 |
| June ...        | 78.4 | 52.4 | 60.5 | 27.3 | 61.3 | 29.2 | 76.7 | 55.1 |
| July .....      | 76.4 | 50.4 | 58.6 | 24.4 | 63.2 | 33.6 | 77.0 | 49.7 |
| August .....    | 77.0 | 50.6 | 59.4 | 26.4 | 68.6 | 43.3 | 77.1 | 50.4 |
| September ..... | 80.4 | 53.6 | 62.4 | 30.2 | 71.8 | 44.1 | 78.2 | 51.4 |
| October .....   | 81.3 | 56.2 | 67.0 | 37.8 | 68.0 | 44.1 | 79.3 | 57.6 |
| November .....  | 81.1 | 54.6 | 69.4 | 38.0 | 74.8 | 50.7 | 79.8 | 58.3 |
| December .....  | 81.2 | 52.3 | 70.0 | 37.7 | 75.4 | 50.8 | —    | —    |
| Annual Average  | 83.2 | 57.5 | 67.4 | 35.6 | 67.9 | 38.1 | —    | —    |

\* Department of Labor

# Price Trend is Upward

Balance Between Raw Materials and Finished Goods has Been Restored—Further Rise in Raw Materials Would Mean Higher General Price Level

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By W. A. McKAGUE

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Should I buy ahead? Are prices really going to rise?—These are questions which every merchant and manufacturer has asked himself time and again during the past two years. We have heard a great deal about the inflation of money, and the effort of the United States government to restore prices to their level of 1926. But it is difficult for the ordinary business man to connect up the currency policies and other alleged "recovery" measures of Washington and of Ottawa, with the prices at which we are doing business in merchandise from day to day. And when the brain trusts and economic doctors disagree among themselves, we are inclined to take the attitude of the man from Missouri, who had to be shown.

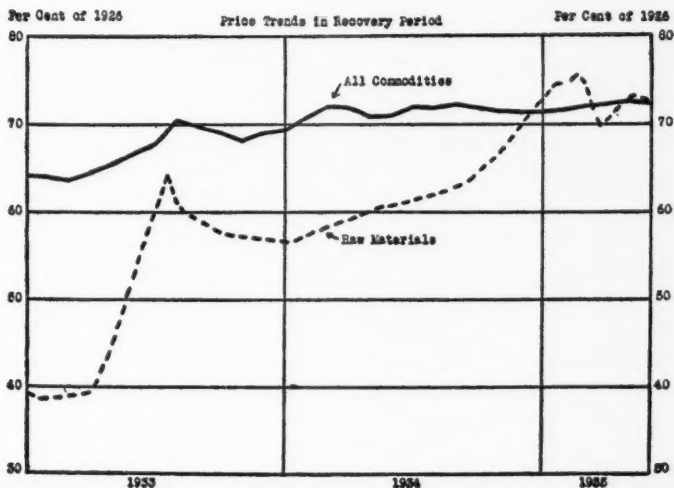
For a healthy state of business, it is necessary that consumers and business people believe that prices will not go down. The persistent decline in prices from 1929 to 1932 impressed upon everyone that it was better to have money in the bank than in merchandise. We all developed a lack of confidence, a policy of holding back, and we observed that those who had bought too heavily went bankrupt. That reduced business to the minimum of daily requirements.

The United States government commenced inflating its dollar in April, 1933, and for several months it frightened American business men into buying heavily. Back in September, 1931, Britain had parted from the gold standard, and its action had checked the reaction there, holding prices and business relatively steady from that date. But the American recovery quickly ran into trouble, prices dropping back sharply in the last half of 1933. Along with its dollar inflation, the United States government included in its recovery plans the National Industrial Recovery Act, and its complicated system of codes for the conduct of business. One of the objects of these codes was to raise wages ahead of prices, ignoring the economic law that prices, volume of business and profits, must recover before there can be any substantial gain in employment and wages. Now the NRA is gone, through a legal decision which conveniently relieves the government of its impracticable machinery. If some of it remains or is restored, it will be less ambitious and socialistic in its scope. There is plenty of evidence that the NRA checked rather than helped recovery in the United States, and to some degree, consequently, in the world.

## PRICE TREND IS UPWARD

For the time being, the United States is free to work out a more natural recovery, in which direction at least some progress has been made. This is strikingly brought out in the relation between prices of raw materials and general price levels. Early in 1933, when things were at their worst, average prices of raw materials, that is, wheat, cotton, rubber, wool, etc., were less than 40 per cent of their 1926 level. The level of all commodities averaged about 65 per cent. That struck at the very root of business, by greatly curtailing the purchasing power of the primary industries. But since then, whether through depreciating the dollar or other public measures, or through natural forces, raw materials have recovered to 72 per cent of their 1926 average, and commodities as a whole stand about the same. That is, though prices have not been brought back to 1926, the balance between raw materials and general prices has been restored. For some representative raw materials, the gains from the low point have been as follows, approximately: Wheat, 50 per cent; rubber, 350 per cent; cotton, 90 per cent; lumber, 18 per cent; bituminous coal, 45 per cent; iron, 30 per cent; steel, 16 per cent; copper, 60 per cent; zinc, 60 per cent; lead, 25 per cent; tin, 150 per cent.

These are facts which the business man and the consumer cannot afford to ignore. Prices are definitely moving up. No one can foretell just how far the movement will go, or when it will receive a fresh impetus, or when finished goods will have to be marked up to cover new increased costs of raw materials. But the change from a long and severe price decline, into an advancing trend, is accomplished; and as the recovery gains momentum, the tendency is for it to gain speed as well!



## COST AND MANAGEMENT

### REPORT OF PRESIDENT AND DIRECTORS

Report of President and Directors, presented at annual meeting,  
Hamilton, May 27th, 1935.

We have pleasure in reporting as follows on the activities of the Society in the year ended April 30th, 1935.

MEMBERSHIP: A small decline in membership is shown by the following comparison:

|                             | April 30, 1934 | April 30, 1935 |
|-----------------------------|----------------|----------------|
| Montreal .....              | 115            | 102            |
| Toronto .....               | 139            | 130            |
| Hamilton .....              | 34             | 35             |
| Central Ontario .....       | 11             | 12             |
| Winnipeg .....              | 20             | 16             |
| Vancouver .....             | 8              | ..             |
| Non-resident .....          | ..             | 21             |
| Student (in Montreal) ..... | ..             | 3              |
| Total .....                 | 327            | 319            |

Our membership trophy for the Chapter showing the greatest percentage gain, has been awarded to Central Ontario, G. Earnshaw, chairman, for the past year.

A prize of \$15 for the best reports of Chapter activities, published in Cost and Management, has been awarded to R. Schurman, C.A., of Montreal.

FINANCES: Although the reduction in membership brought a further decline in revenue, we have again been able to keep expenses within revenue, the surplus for the past year being \$180.23, and the accumulated surplus \$3,918.55. This surplus is in government bonds and cash.

CHAPTERS: Our Vancouver Chapter has ceased operation owing to lack of interest there, but in the other five Chapters the past season was marked by good member interest and attendance. The Chapters on the whole continue in good financial condition, the following being a summary of their financial statements for the year:

|                    | Balance brought<br>forward | Receipts   | Expenses   | Balance carried<br>forward |
|--------------------|----------------------------|------------|------------|----------------------------|
| Montreal .....     | \$ 48.60                   | \$450.18   | \$452.18   | \$ 46.60                   |
| Toronto .....      | 418.25                     | 584.25     | 488.31     | 514.19                     |
| Hamilton .....     | 44.62                      | 158.31     | 133.33     | 69.60                      |
| Central Ontario .. | 55.12                      | 61.53      | 70.30      | 46.35                      |
| Winnipeg .....     | 250.59                     | 109.42     | 49.71      | 310.30                     |
| Total .....        | \$817.18                   | \$1,363.69 | \$1,193.83 | \$987.04                   |

## REPORT OF PRESIDENT AND DIRECTORS

**PUBLICATIONS:** Our monthly magazine "Cost and Management" was issued each month during the year, also our regular printed pamphlet giving by-laws, membership list, etc. In addition, a condensed catalogue of reference literature was included in Cost and Management in January, 1935, and reprinted in pamphlet form.

**REFERENCE LITERATURE:** Members of the Society continue to make use of our reference literature, our library of which has been kept reasonably up to date and comprehensive.

**EMPLOYMENT:** Opportunities for placing experienced cost men in employment continue scarce, but in some instances, as in past years, we have been able to help men secure employment.

**VISITS TO CHAPTERS:** Your president this year, being located in Winnipeg, was not able to attend meetings of the other Chapters, but kept in close touch with the Society's work throughout the year. The general secretary attended one or more meetings of each Chapter in the east.

**EXAMINATIONS:** Candidates were examined in Montreal in 1934, and again in 1935, and many of them passed the papers set, although during the past two years none have completed all the requirements to secure a certificate.

All of which is respectfully submitted.

W. J. Mundell, President. W. A. McKague, General Secretary.

## REFERENCE LITERATURE

### RECEIVED IN MAY

Sales Analysis, Method of. National Association of Cost Accountants, May 15.

Inventory Control, Head Office. National Association of Cost Accountants, May 15.

Corset Industry, Inventory & Production Control for the. National Association of Cost Accountants, May 15.

Hosiery Mill, Basic Standard Costs as Applied to a. National Association of Cost Accountants, May 1.

Selling and Distribution Expenses. The Cost Accountant, May.

Wage Incentive in a Process Industry. The Cost Accountant, May.

Municipal Housing, Costing as Applied to. The Cost Accountant, May.

Municipalities, Cost Control Accounts for. The Cost Accountant, April.

Castings for Railroads, Manufacture of. Journal of Accountancy, May.

Paper Industry. Journal of Accountancy, May.

## COST AND MANAGEMENT

### MINUTES OF ANNUAL MEETING

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Minutes of annual meeting of the Canadian Society of Cost Accountants and Industrial Engineers, held in Hamilton, May 27, 1935.

H. P. Wright, Chairman.

W. A. McKague, Secretary.

Minutes: Minutes of the last annual meeting as printed in Cost and Management of June, 1934, were approved.

Financial Statement: The financial statement for the year ended April 30, 1935, was read, seconded and unanimously carried, That this statement be approved, subject to audit.

Report of President and Directors: The report of the president and directors for the year ended April 30, 1935, was read. Moved, seconded and unanimously carried, That this report be approved.

Election of Directors: The following were nominated as directors of the Society: G. T. Bowden, P. E. Dufresne, R. W. Louthood, D. R. Patton, J. P. Rolland, and R. Schurman, of Montreal; W. M. Lane, B. W. Lang, E. D. MacPhee, K. A. Mapp, G. M. Mulholland, S. H. Sorley, and J. W. Spence, of Toronto; M. I. Long and H. P. Wright of Hamilton; E. Tailby, of Central Ontario.

Montreal Resolutions: Three resolutions from Montreal, respecting collection of fees, finances of the Society, and education, were reported to the meeting. These were referred to the directors of the Society.

Thanks to President: Moved, seconded and unanimously carried, That the Society extend its thanks to Mr. W. J. Mundell for his active interest and work in the Society as its president during the past year.

Thanks to Auditors: Moved, seconded and unanimously carried, That the Society extend its thanks to Messrs. Fred Page Higgins, F.C.A., and C. H. Pelling, C.A., for acting as auditors, and that they be reappointed.

Thanks to Mr. LeBrocq: A cordial vote of thanks was extended to Mr. S. E. LeBrocq and his associates of the Hamilton Golf and Country Club, for securing the club's facilities for our meeting.

Adjournment: The meeting then adjourned.

H. P. Wright, Chairman.

W. A. McKague, Secretary.

### ANNUAL MEETING AND GOLF GAME

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As per notice in May Cost and Management the annual meeting of the Society was held on May 27th in conjunction with a golf event, at Hamilton Golf and Country Club, Hamilton, the facilities of which Club were secured for us on this occasion by past-president Stanley LeBrocq. The minutes of the annual meeting are printed separately in this issue. Board meetings were held before and after the annual meeting, and election of officers resulted in the elevation of R. W. Louthood of Montreal, to the presidency, with Harold Wright of

## ANNUAL MEETING AND GOLF GAME

Hamilton, and Kris. Mapp of Toronto as vice-presidents, Geo. T. Bowden of Montreal as honorary secretary, and Walter M. Lane of Toronto as honorary treasurer. The complete list of directors and officers is printed on the inside front cover of this issue. Regrets were expressed that Mr. W. J. Mundell, of Winnipeg, was not able to be with us, and the thanks of the Society for his attention to the affairs of the Society during the past year, and his active support over many years, were expressed.

The Ontario members were pleased to have Mr. Louthood present, and with him Donald R. Patton and Percy W. Wright of Montreal. The general secretary might be censured for nearly losing the Montreal delegation and himself among the hills back of Hamilton and thereby arriving late; and on top of that, the same delegation insisted on spending part of the afternoon in Hamilton, but ultimately gathered back at the Club again.

In spite of a high wind, the golf game was conducted with success, Harold Wright, Bill Smitton and a few others saving our golfers from a rather bad average. Dick Dawson of Hamilton looked after the social end in his usual capable way. Chairman Earnshaw of Central Ontario is reported to have lost himself somewhere in the cellar during the afternoon but having won the Chapter Membership trophy for the past year, he was perhaps entitled to that privilege. By dinner time, the attendance mounted to some twenty-five, and we believe that everyone arrived home safely.

## CHAPTER NOTES

### TORONTO

A meeting of the executive of Toronto Chapter was held on May 22nd, and by dint of special effort, a 100 per cent attendance of the 15 members of the executive was secured, which we believe sets a new record on this score. The hospitality of the chairman, Mr. Dingle, at the Third Battalion Club, was appreciated. The list of officers was completed by the election of C. P. Roberts, C.A., of J. P. Langley & Co., as vice-chairman, R. F. Bruce Taylor, C.A., of Edwards, Morgan & Co., as treasurer, and Geo. Appleton, of Toronto Hydro-electric System, as secretary. As in past years, the detail work, viz., notices of meetings, attendance records, badges, etc., will be attended to by the general secretary's office, a rebate of \$150 to the Society being authorized for this purpose by the Chapter executive. Several special committees were appointed, and plans for the coming season will be proceeded with at once, in an effort to make it a thorough success.

## COST AND MANAGEMENT

### VALUATION OF GOODWILL

(Quoted from a letter to The Accountant, of London, England)

**O**N the proposed sale of a business, the auditor is very often approached with a view to the valuation of goodwill, and it is essential in his own interests that he should have a good general knowledge of the various bases adopted.

It is, of course, impossible to dogmatise on this subject, as the value of goodwill in relation to the profits will be found to vary considerably in different businesses. Broadly speaking, there are two main methods by which goodwill is valued. The first method which is still used widely is to take a certain number of years' purchase of net profits, based on a three to five year average. Anything from two to five years' purchase may be a fair valuation according to circumstances. The second method is more modern, and deals with what are known as super-profits. From the average net profits of the business are deducted, firstly, the gilt-edged yield on the capital employed in the concern, and, secondly, interest on that capital respecting the additional risk in that business over a gilt-edged investment. The yield on a gilt-edged investment is naturally a known quantity, and at the present time is approximately three and a quarter per cent. The interest respecting the trade risk is obviously more difficult to calculate. Perhaps the best method to arrive at the rate is to consult the current quotations on the Stock Exchange for the shares of businesses of the same kind, and arrive at the average yield over the gilt-edged yield. It will be necessary to take into consideration the soundness of the balance sheets of the companies whose shares are considered in addition to the yields. It is not suggested that this system is foolproof, but a very fair idea may be obtained thereby.

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Having deducted the aforementioned interests from the average net profits, the resultant figure represents the super-profits, which in turn represent the figure on which goodwill should be based. The number of years' purchase of super-profits for the purpose of goodwill again varies according to the trade risk, but is invariably somewhat higher than the rate taken for years' purchase of net profits. Other factors such as increasing turnover, will have important effects on the value of goodwill, and each business must, therefore, be taken on its own merits. In most professions goodwill is based not on profits but on gross fees, or turnover, but the writer has never heard of a trade where this basis is used.

Goodwill is often an extremely fluctuating asset, and is usually ignored by bankers and others who may be asked to give financial assistance to a company.



## TARIFF and TAXATION

The following is a selection of the more important rulings of the Department of National Revenue on tariffs and taxation:—

### Income Tax Returns

The several Income Tax returns which require to be completed, returned to the Income Tax Division and filed with the Inspectors of Income Tax throughout the country are returnable at different dates, and the table hereunder has been prepared as a ready reference to show by whom each form is used, a description under which it is known, the nature of the form, the last date on which it may be filed, and the respective penalties for failure to file within the time prescribed. In addition, the table shows the taxes which are to be withheld at the source of Canadian debtors, the forms to be used in connection therewith, their nature, the time they are to be filed and the penalties for failure to so file, failure to deduct and failure to remit.

**Individuals**—As in the past, the taxpayer must estimate his own tax when filing a return. The estimated tax is due on the 30th April, 1935, but if the taxpayer so elects he may pay one-quarter of such estimated tax on that date, and the balance with interest, as in the Act provided, in not more than three equal bimonthly instalments on the 30th June, 31st August and 31st October, 1935.

The exemptions and rates of tax presently provided by the Statute are set out fully on Forms T.1 and T.1A.

It is to be observed that where the income of a taxpayer is in excess of \$5,000, an additional 5 per cent of the amount of the tax, as provided in the schedule, is payable.

**Corporations**—A corporation must estimate and pay the tax at the time of filing the return as indicated in the chart, though it may take advantage of a similar method of payment by instalments as in the case of an individual, except that the bimonthly payments are due commencing two months after the due date for filing the return.

The tax presently payable is 12½ per cent of the income, but where corporations and joint stock companies file a return consolidating their profits or losses with that of their subsidiaries, the rate of tax is 13½ per cent.

**Rates of Tax subject to Adjustment**—The rates of tax indicated on Forms T.1 and T. 1A for Individuals and on T.2 for Corporations are those presently provided by the Statute. Whether these will be the rates to be applied to the income of 1934 or not is presently uncertain, for the reason that in many past years the rates have been altered at the time of the Budget announcement. Consequently, all taxpayers as in the past should be on the alert in this respect.

## COST AND MANAGEMENT

**Trusts and Estates**—Income accumulating in trust for the benefit of unascertained persons or of persons with contingent interests shall be taxable in the hands of the trustee or other like person acting in a fiduciary capacity as if such income were the income of a person other than a corporation but he is not entitled to the \$1,000 exemption.

**Omitted Income**—Particular attention is again drawn to the 1932 amendment which provides that if any person omits to declare any dividend, rentals, interest, royalties or other like income and such income is subsequently ascertained to have, in fact, been received by the taxpayer such person may be assessed as if double the income so omitted from the return had been received.

### Chart of Income Tax forms to be filed by Canadian Taxpayers with the Inspector of Income Tax in the district in which they reside

| Forms used by          | Description of Form | Nature of Form                         | Due to be filed   |
|------------------------|---------------------|--|---|
| Individuals . . . . .  | T. 1                | Income received for the calendar year. | On or before the 30th April in each year.               |
| Farmers and Ranchers.  | T. 1A               | Do                                     | Do  |
| Corporations . . . . . | T. 2                | Income received for the fiscal period. | Within four months from the close of the fiscal period. |

### Taxes to be withheld at source

|  |     |   |   |
|--|-----|---|---|
| Corporations, associations, Dominion and Provincial Governments, municipalities, religious and charitable institutions and, in short, those persons who may be under obligation to pay interest, dividends, rentals and royalties. | 700 | Remittance and particulars of 12½% tax deducted from rentals paid or credited to non-residents.   | Within one week next succeeding the week payment has been made or credited. |
|  | 701 | Remittance and particulars of 12½% tax deducted from royalties paid or credited to non-residents. | Within one week next succeeding the week payment has been made or credited. |
|  | 603 | Remittance and particulars of 5% tax deducted from dividends and interest.                        | Within one month of payment of the dividend or interest.                    |

## TARIFF AND TAXATION

### Departmental Rulings

Attention is drawn to the definition of iron or steel "plate" in section 2 (i) of the Customs Tariff, which defines "plate" as to thickness as being .1875 inch or more, with a tolerance not exceeding .015 inch, thus making the minimum thickness .1725 inch.

Mine hoists of all sizes and capacities are held to be of a class made in Canada.

### New Regulation

By Order in Council (P.C. 361) dated the 16th February, 1935, the regulations in regard to temporary admission of articles of Canadian manufacture returned to be repaired in Canada and again exported established by Order in Council of 20th August, 1904, are rescinded, and the following regulation is made and established in lieu thereof:

**Regulation**—Articles when imported into Canada temporarily for repairs, adjustments or to be tested, may be admitted without duty or taxes; provided that the articles are such as can be satisfactorily identified and that a deposit or acceptable bond for double the amount of Customs duty and/or taxes be delivered to the Collector of Customs and Excise as security for the exportation of the articles under Customs supervision, or the due entry thereof for consumption, within six months from the date of importation.

Memorandum No. 1296-B, dated 20th August, 1904, is hereby cancelled.

### Supplement No. 1 to Appraisers' Bulletin No. 3793

Ottawa, 11th March, 1935.

The Honourable the Minister of National Revenue has ordered that the fixed valuation for duty purposes on Lamps set forth in Appraisers' Bulletin No. 3793, be cancelled insofar as it applies to unwired lamps manufactured of the following materials:—

Quartz — Alabaster and Marble — Onyx — Glass — Soapstone  
Dresden Pottery — Wedgwood Pottery

This order becomes effective on and after this date.

### Marking of Imported Goods

Ottawa, 14th March, 1935.

Referring to Memorandum Series D No. 1, you are advised that by Order in Council passed on the 8th March, 1935, (P.C. 71/610), the following class or description of goods is added to the list of articles required to be marked with an indication of the country of origin on importation into Canada, under Section 16 of the Customs Tariff, effective from and after the first day of June, 1935:

14. Laminated glass, sheet and plate glass in sheets or panes, and common or colourless window glass.

Imported glass of the class referred to will be required to be marked with an indication of the country of origin on each package, covering, case or container in which imported.

## COST AND MANAGEMENT

### Re Australian Trade Agreement, 1931

Ottawa, 15th March, 1935.

(1) By Order in Council, (P.C. 616), passed on the 11th March, 1935, under the authority of Section 11 of the Customs Tariff, the Products of the Commonwealth of Australia hereinafter listed, when imported direct from Australia into Canada, shall, effective the 1st day of October, 1934, enjoy the tariff treatment hereunder indicated:

| Number of Canadian<br>Customs Tariff | Product  | Tariff<br>Treatment |
|--------------------------------------|--|---------------------|
| Ex. 163                              | (a) Wines of the fresh grape of all kinds, except sparkling wines, imported in barrels or in bottles, containing less than 35 p.c. proof spirit . . . . per gallon         | 20 cts.             |
|                                      | (b) Wines of all kinds, except sparkling wines, imported in barrels or in bottles, containing 35 p.c. or over, but not more than 40 p.c. proof spirit . . . . . per gallon | 40 cts.             |

(2) This will apply to the goods listed herein imported or taken out of warehouse for consumption on and after the 1st October, 1934, and also to goods previously imported for which no entry for consumption was made before that date.

### Re Canada-France Trade Agreement Act, 1933

Ottawa, 15th March, 1935.

1. By Order in Council (P.C. 619) dated 11th March, 1935, it is provided that the natural or manufactured products, as hereinafter listed, originating in and coming from the French Customs territory, the French colonies, countries under French protectorate, and territories under French mandate, shall, from the first day of October, 1934, to the 6th day of March, 1935, inclusive, enjoy on their importation into Canada the tariff treatment hereunder indicated, viz.:

| Number of Canadian<br>Customs Tariff | Product   | Tariff<br>Treatment                               |
|--------------------------------------|---|---|
| Ex. 156                              | Liqueurs . . . . .  | Intermediate tariff less a discount of 10 p.c.    |
| Ex. 163                              | Wines of the fresh grapes of all kinds, not sparkling, imported in barrels or in bottles—containing not more than 26 p.c. proof spirit. . | Intermediate tariff less a discount of 63.63 p.c. |

The above reductions are supplementary to the Trade Agreement between Canada and France, signed on the 12th May, 1933, and subject to the provisions thereof.

2. The concessions granted under the Order in Council also extend to countries enjoying Most Favoured Nation treatment in tariff matters by Canada.

## TARIFF AND TAXATION

3. You will note that the effect of the Order in Council referred to herein is to delete from Extract Items 156 (liqueurs) and 163 (wines) as contained in Supplement 6 to Memorandum No. 658, now cancelled, the phrase "entitled to registration under the provisions of Article II of the Canada-France Trade Agreement, 1933," during the period in which this supplement was in force.

### Re United Kingdom Trade Agreement, 1932

Ottawa, 15th March, 1935.

(1) By Order in Council, (P.C. 618), passed on the 11th March, 1935, under the authority of Section II of the Customs Tariff, the Products of the United Kingdom hereinafter listed, when imported direct from the United Kingdom into Canada, shall, effective the 7th day of March, 1935, enjoy the tariff treatment hereunder indicated:

| Number of Canadian<br>Customs Tariff | Product  | Tariff<br>Treatment |
|--------------------------------------|--|---------------------|
| Ex. 529                              | Lace and embroideries, wholly of cotton, coloured, imported by manufacturers for use exclusively in the manufacture of clothing in their own factories . . . . . | 7½ p.c.             |

(2) This will apply to the goods listed herein imported or taken out of warehouse for consumption on and after the 7th of March, 1935, and also to goods previously imported for which no entry for consumption was made before that date.

### Re New Zealand Trade Agreement, 1932

Ottawa, 15th March, 1935.

(1) By Order in Council, (P.C. 617), passed on the 11th March, 1935, under the authority of Section 4 (e) of the Customs Tariff, the Products of New Zealand hereinafter listed, when imported direct from New Zealand into Canada, shall, effective the 23rd day of March, 1935, the date of publication in the Canada Gazette, enjoy the tariff treatment hereunder indicated.

| Number of Canadian<br>Customs Tariff | Product  | Tariff<br>Treatment |
|--------------------------------------|--|---------------------|
| Ex. 163                              | (a) Wines of the fresh grape of all kinds, except sparkling wines, imported in barrels or in bottles, containing less than 35 p.c. proof spirit . . . . per gallon       | 20 cts.             |
|                                      | (b) Wines of all kinds, except sparkling wines, imported in barrels or in bottles, containing 35 p.c. or over, but not more than 40 p.c. proof spirit . . . . per gallon | 40 cts.             |

(2) This will apply to the goods listed herein imported or taken out of warehouse for consumption on and after the 23rd of March, 1935, and also to goods previously imported for which no entry for consumption was made before that date.

## COST AND MANAGEMENT

### Departmental Rulings

Outer burial cases for holding coffins and caskets—not entitled to entry under tariff item 514, but dutiable according to material and finish.

The "Master" Etching Machine, per illustration, used for etching photo-engraved metal plates with acid, in the manufacture of photo-engraved plates—tariff item 412a.

Orthodontia appliances of gold plated metal, per illustration, used for the purpose of straightening irregular teeth, fitted by the dentist as required in each particular case and which, after being placed in the mouth, remain there until such time as the teeth become straightened—tariff item 362.

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### Income Tax

Inspectors of Income Tax were instructed as follows on April 9, 1935, re Depletion in respect of Mining Companies.

Whereas the Honourable the Minister of Finance, in his Budget announcement of the 22nd ultimo, stated: (Page 2152 of Hansard)

With regard to the existing regulations allowing depletion to mines, it is believed that several of these provisions have been unduly generous in their operation. Not only has it been pointed out that the specific rate of 50 per cent in the case of precious metal mines could fairly be reduced, but also that the granting of depletion to both corporation and shareholder to the present rates cannot well be defended.

The rate of depletion allowance granted to precious metal mines is to be reduced from 50 per cent to 33  $\frac{1}{3}$  per cent  
you are hereby advised that for the 1934 fiscal period and subsequent periods the depletion rate to be allowed to precious and base metal mines will be 33  $\frac{1}{3}$  per cent.

This memorandum was issued to Inspectors of Income Tax on April 9, 1935, re Depletion of Dividends of Mining Companies.

Whereas the Honourable the Minister of Finance, in his Budget announcement of the 22nd ultimo, stated: (Page 2152 of Hansard)

With regard to the existing regulations allowing depletion to mines, it is believed that several of these provisions have been unduly generous in their operation. Not only has it been pointed out that the specific rate of fifty per cent in the case of precious metal mines could fairly be reduced, but also that the granting of depletion to both corporation and shareholder to the present rates cannot well be defended.

Dividends received by shareholders are to be taxed by reducing the allowance from fifty per cent to twenty per cent  
you are hereby advised that for the 1934 fiscal period and subsequent period, in conformity with the foregoing, shareholders, irrespective

## TARIFF AND TAXATION

of the depletion heretofore allowed, either to the company of which they hold shares or to themselves, will be allowed, in determining the portion of the dividend income taxable, a depletion rate of twenty per cent, unless a lesser rate of depletion has heretofore been allowed, in which case the lesser rate shall continue.

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### Current Values for Duty—(Class B)

Ottawa, 11th April, 1935.

Hard soap (not being whale soap or castile soap) when the fair market value thereof at the place of manufacture abroad is over seven (7) cents per pound wholesale, shall be rated for duty under tariff item 228 as soap, n.o.p.

This cancels ruling on hard soap in Appraisers' Bulletin No. 2332.

The provisions of this Bulletin do not apply to shipments in transit to Canada on or before 11th April, 1935.

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### Ice Cream

Ottawa, 12th April, 1935.

The Honourable the Minister of National Revenue has been pleased to establish the following regulation under authority of Sections 98 and 99 of the Special War Revenue Act:

Manufacturers of ice cream shall account for sales tax on this commodity on a value of one dollar and ten cents (\$1.10) per Imperial gallon, effective from May 1st, 1935.

This Circular supersedes and cancels Circular 722-C Revised insofar as it relates to ice cream.

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### Samples

Ottawa, 30th April, 1935.

The Honourable the Minister of National Revenue has been pleased to establish the following regulation under authority of Sections 87 and 99 of The Special War Revenue Act:—

Effective May 1st, 1935, the samples described below may be considered as exempt from the consumption or sales tax, either on importation or on domestic sale:

"Samples" for purposes of this regulation shall mean samples of coatings, dress fabrics and similar cloth of cotton, wool, any combination of the two, or any combination of either of them with other materials wherein the principal component part is either woollen or cotton and where these do not exceed one-half yard in length in the case of the aforementioned goods, or six inches square in the case of silk, artificial silk or any similar material.

**COST AND MANAGEMENT**  
**MEMBERSHIP CHANGES**

May, 1935

**MONTREAL CHAPTER**

Take Off

Black, J. M., R. Mitchell Co. Ltd. (Membership dropped by company).  
MacVicar, C. B., R. Mitchell Co. Ltd. (Membership dropped by company).

Davis, V. A., Ayer's Cliff, Que. (Resigns).

Burdon, J. A., Canadian Steel Foundries Ltd. (Deceased).

**TORONTO CHAPTER**

Take Off

Burpee, H. T., C.A., (Resigns).

Shiach, H. A., C.A., (Resigns).

Lefrancois, O. A., W. D. Beath & Sons Ltd. (Membership transferred).

Add

Partridge, F. G., W. D. Beath & Sons Ltd.

Change

Pratt, H. S., to Consolidated Bakeries Ltd., 183 Dovercourt Road, Toronto.

McNeill, T. L., to G. H. Wood & Co. Ltd., 736 Dundas East, Toronto.

**WINNIPEG CHAPTER**

Take Off

Gilbert, F. C., Gilbert & Laird. (Resigns).

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**PERSONALS**

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Arthur W. Island, of Canadian Acme Screw & Gear, Ltd., Toronto, was recently married.

T. L. McNeill, formerly of Robertson Bros., Ltd., Toronto, is now with G. H. Wood & Co., Ltd., Toronto.

J. M. McKee, member of Toronto executive of our Society, has been promoted to secretary-treasurer of International Business Machines, Ltd., and also to a position on the board of the company. Mr. McKee joined the company as salesman in 1925, and in 1926 was appointed office manager and assistant secretary. Since joining the I.B.M. organization, Mr. McKee has played an important part in the growth and development of the Canadian company. He reorganized the office procedure and brought it to a higher relative standing among the various world-wide I.B.M. organizations. He has contributed plans of sales and operations, which have been accepted by all divisions. Mr. McKee had nine years' banking experience, and is a Fellow of the Canadian Bankers' Association.

W. J. Mundell, C.A., president of our Society for the past year, has been elected second Vice-chairman of the Prairie Division of the Canadian Manufacturer's Association.

E. J. Tucker, of the Consumers' Gas Company of Toronto, has been elected 2nd vice-president of the Canadian Gas Association.



